

DIVISION OF PUBLIC UTILITIES AND CARRIERS

Memorandum

To: Luly Massaro

From: Alberico Mancini, Rate Analyst

Date: March 14, 2018

Subject: Narragansett Bay Commission (NBC)
Miscellaneous Petitions for Relief
Docket No. 4364

The Narragansett Bay Commission (NBC) has filed with the Public Utilities Commission (PUC) the following two (2) petitions for relief;

- Miscellaneous Petition for Relief relating to debt service compliance filings.
- Miscellaneous Petition for Relief relating to a capital fund transfer.

Debt Service Compliance Filings

NBC is requesting that the Commission extend NBC's debt filing mechanism under their Variable Rate Debt Obligation in Tax Exempt Commercial Paper debt program which expired in 2017. NBC requests that the mechanism be extended to 2022.

This debt filing mechanism was established by the PUC in 2003 and allowed NBC to make abbreviated filings solely for debt service in order to fund capital projects. The mechanism enabled NBC to file more frequently and adjust rates quickly. Due to NBC's extensive capital program, this system of filing has enabled NBC to increase rates, issue debt, and complete important capital projects in a timely manner and saves ratepayers the cost of a full rate filing.

The Division recommends that the PUC approve NBC's request as filed extending the debt service mechanism to 2022.

Capital Fund Transfer

NBC is requesting to transfer five (5) million dollars from its restricted capital (CIP) account in order to satisfy its mandated five (5) million-dollar payment to the State of Rhode Island's Fiscal Year 2018 Budget.

As part of the State's 2018 fiscal year budget passage, several quasi-public agencies were required to transfer funds into the State budget which included NBC transferring \$5 million. See 2017 Public Laws Chapter 302, Article 1, Section 20.

NBC had \$18,083,870 available in their restricted CIP project account as of 1/31/18 and is projecting that \$14,566,511 will be available on 6/30/18 which is the deadline for the transfer. NBC claims that the impact of the transfer on specific projects is unknown as the timing and cost of each project changes but they do not plan on issuing any bonds or seeking an increase in rates in FY2018. As the projects are completed and the project fund is depleted, NBC would then need to issue additional debt to complete future projects.

The Division understands that this transfer is mandated by the General Assembly and must be incorporated somehow in NBC's current operating budget. This transfer from the restricted CIP account is a reasonable solution to fund the mandated transfer while avoiding a rate increase at this time. Projects may get delayed and eventually new debt will be issued. The Division is mindful that if this mandated transfer continues on a yearly basis, then NBC would need to propose a more permanent solution.

The Division recommends that the PUC approve NBC's Petition as filed transferring \$5 million for their restrict CIP project account to the State FY2018 budget as mandated by the General Assembly.